

**SUMMARY OF A MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS COMMITTEE**

**HELD ON
Thursday, February 26, 2009
10:30 a.m., Arizona Time**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 10th Floor Board Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. David Byers, Chair, called the meeting to order at 10:32 a.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. David Byers, Chair
 Mr. Steven Zeman, Vice-Chair
 Dr. Keith Meredith (Via Teleconference)
 Mr. Michael Townsend (Via Teleconference)

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the Minutes of the November 20, 2008 OC Meeting

Motion: Mr. Steven Zeman moved the minutes of the November 20, 2008 OC meeting be adopted. Mr. Michael Townsend seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding the Status of the ASRS Technology Projects

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer for the ASRS, addressed the Committee regarding the status of various technology projects that were either completed or in process through the Technology Services Division (TSD). He gave a brief overview of the history of the projects and then discussed some of the technological developments that had occurred within the projects. He also noted that \$40,000 that had been set aside as a reserve would be returned to the ASRS Trust Fund. Mr. Guarino then introduced Mr. Kent Smith, Assistant Director of TSD.

Mr. Smith reviewed the objectives of the projects undertaken and whether those objectives were fulfilled. He gave updates on the Mellon Migration, estimate checks, PERIS Online (POL) performance, data changes, public website enhancements, external security, and other enhancements and upgrades.

Mr. Smith also gave a brief overview of a recent Continuity of Operations Plan test which involved a test of the functionality of core business critical systems in Tucson. He indicated the test was a mixed success as some objectives were achieved. However, there were some challenges that were encountered that TSD hopes to rectify by the next test.

4. Presentation, Discussion and Appropriate Action Regarding Performance in the ASRS Administrative Services Division

Mr. Anthony Guarino introduced Ms. Martha N. Rozen, Chief of Administrative Services Division (ASD), who gave a presentation to the Committee regarding recent performance of ASD. Several members of her team addressed the Committee on the various aspects of ASD performance, focusing on the strategic objectives, risk assessment, risk control strategies, and "looking forward."

The discussion focused on the various subdivisions within ASD. Mr. Russ Levine, Budget Administrator, provided information on several aspects of the budget within the ASRS. Ms. Frida Zilberman, Human Resources Manager, spoke on the role and challenges of the Human Resources program. Ms. Jean Langston, Training & Development Manager, gave an overview of the training and development arm of the ASRS. Mr. Robert Wittsell, Procurement Manager, discussed contracts and procurement, facilities management and fixed asset management.

5. Review of Recently Conducted Audits

- **Arizona Game and Fish**
- **Audit Follow-Up – Deer Valley Unified School District**
- **Credited Service**

Mr. Guarino introduced Mr. Bernard Glick, the ASRS Chief Internal Auditor, who updated the Committee on recently conducted audits.

The first audit involved the Arizona Game and Fish Department. Mr. Glick said there were two findings regarding this state agency. First, the Department did not remit ASRS contributions for one employee who was eligible for ASRS membership. Second, Game and Fish did not request a refund for 126 ineligible members who remitted contributions for part of a fiscal year or years. He stated the ASRS owes the Department \$96,474.

The second audit dealt with a follow-up on Deer Valley Unified School District (DVUSD). During the follow-up phase of the audit, DVUSD had not complied with the audit findings. The ASRS gave DVUSD an additional two months to complete their self audit. As a result of the audit, the District owes the ASRS \$139,680 in additional contributions and interest.

The final audit covered ASRS Credited Service. Mr. Glick discussed a recent audit of the Credited Service and Service Audit areas of the ASRS. He presented the findings from the audit which included identifying individuals who may be receiving inappropriate credited service, the ASRS' use of an employer's 9-month service year to allocate service for 12-month employees, allocating service credit by month based on the Pay Period Ending date, technical problems with the Workflow process within the ASRS, reporting of service audits, and updating Standard Operating Procedures regarding service audits.

Members of the Committee requested a review of the situation regarding the ASRS' use of an employer's 9-month service year to allocate service for 12-month employees including the history of the issue. Mr. Guarino said he would bring a review of the situation before the Committee once a draft Administrative Rule had been formulated that could help rectify the credited service issue.

6. Presentation, Discussion and Appropriate Action Regarding Employer Self Audits

Mr. Glick presented the Committee with a list of the Arizona school districts that had performed self audits and the findings of those audits. He stated the ASRS had sent out 20 self-audit packets and 10 had been returned and processed. Mr. Glick noted the others will be returned at a later date or have been returned but the data had not been fully processed.

7. Request for Future Agenda Items

There were no future agenda items.

8. Call to the Public

No members of the public addressed the Committee.

9. Adjournment of the OC

Mr. David Byers adjourned the meeting at 12:14 p.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date